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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/873,864	06/04/2001	Rosalind Herman	NERK-001	4666

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EXAMINER
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PORTER, RACHEL L

ART UNIT	PAPER NUMBER
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3626

DATE MAILED: 06/22/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

**Office Action Summary**

Application No.

09/873,864

Applicant(s)

HERMAN ET AL.

Examiner

Rachel L. Porter

Art Unit

3626

MLW

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 30 March 2004.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |   |   |
|---|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)             | 4) <input type="checkbox"/> Interview Summary (PTO-413)                     |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)    | Paper No(s)/Mail Date. _____  |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date _____   | 6) <input type="checkbox"/> Other: _____                                    |

**DETAILED ACTION**

***Notice to Applicant***

1. This communication is in response to the amendment filed 3/30/04. Claims 1-29 are pending.

***Specification***

2. The objection to the disclosure is objected to because of the inclusion of an appendix is hereby withdrawn due to the amendment filed 3/30/04.

***Claim Rejections - 35 USC § 101***

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-19 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

- (1) whether the invention is within the technological arts; and
- (2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory

subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

In the present case, exemplary claims 1 and 15 only recite an abstract idea. The recited steps of merely obtaining an insurance policy and paying or repaying premium payments for the policy do not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use of a pencil and paper. These steps only constitute an idea of how to obtain and fund an insurance policy to generate revenue.

Under the guidance of recent case law, the requirements of 35 U.S.C. 101 are met when "the practical application of the abstract idea produces a useful, concrete, and tangible result" (*State Street Bank & Trust Co. vs. Signature Financial Group, Inc.*, 47 USPQ2d 1596, 1601-02 (Fed. Cir. 1998)). In the present case, the claimed invention is useful and tangible as a method of securing revenue through investment from the obtained insurance policy (-ies).

However, the claims, as presently recited, do not appear to have a concrete result. In particular, it is unclear whether the claimed method as recited in claims 1-14 and 15-19 are repeatable and predictable (and thus, concrete). It appears that the decisions regarding premium loans (i.e. premium financing) and the selection of the investment vehicles are based on subjective decision-making factors, and not a function of the claimed invention. As such, the results of the claimed invention and ability to generate sufficient revenue to produce the necessary cash flow (e.g. for loan repayment and funding the program) are unpredictable, and would require undue experimentation.

As to technological arts recited in the preamble, mere recitation in the preamble (i.e., intended or field of use) or mere implication of employing a machine or article of manufacture to perform some or all of the recited steps does not confer statutory subject matter to an otherwise abstract idea unless there is positive recitation in the claim as a whole to breathe life and meaning into the preamble. In the present case, none of the recited steps are directed to anything in the technological arts as explained above with the exception of the recitation in the preamble that a computer may be involved in implementing one or more steps in the method. Looking at the claim as a whole, nothing the body of the claim recites any structure or functionality to suggest which of the recited steps are performed by a computer. Therefore, the preamble is taken to merely recite a field of use.

Although the recited process may produce a useful and tangible result, since the claimed invention, as a whole, is not within the technological arts as explained above, and since the results of the claimed methods are not predictable and repeatable (concrete), claims 1 and 15 are deemed to be directed to non-statutory subject matter.

Claims 2-14 and 16-19 are dependent from claims 1 and 15, respectively. These claims therefore inherit the deficiencies of their respective independent claims through dependency, and are also rejected.

#### ***Claim Rejections - 35 USC § 112***

4. The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the

art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

5. Claims 1-19 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention.

It appears that the funding of the program in claims 1 and 15 is subject only to human interaction. Decisions regarding premium loans (i.e. premium financing) and the selection of the investment vehicles are based on subjective decision-making factors, and not a function of the claimed invention. In particular, the claimed method does not provide any objective guidelines (e.g. specific models, algorithms, the presence or absence of specific risk factors) or other thresholds that are used to determine which investment instruments are selected or how the loan decisions are made.

Without such objective factors, it is unclear whether the claimed method would yield consistent and repeatable results. The results of the claimed invention and the ability to generate sufficient revenue to produce the necessary cash flow (e.g. for loan repayment and funding the program) are unpredictable, and would require undue experimentation.

***Claim Rejections - 35 USC § 103***

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-29 rejected under 35 U.S.C. 103(a) as being unpatentable over Ross (US 5974390) in view of Holmwood ("An Innovative Alternative for Funding Life Insurance Programs") and Official Notice.

As per claims 1-15, Ross teaches a method for providing a continuous stream for income from insurance policies purchased for a pool of individuals. The method comprises insuring a block of individuals (col. 3, lines 32-40; col. 8, lines 40-43); investing the premiums for the policies in an investment vehicle (col. 6, lines 5-13); paying death benefits on deceased individuals from the pool (col. 9, lines 15-17); guaranteeing a mortality rate (col. 3, lines 44-58); and paying a minimum regular cash flow for a program (col. 8, lines 8-16). Ross does not specifically disclose that a lender provides the money for the premiums and that the policy purchaser collaterally assigns the policy proceeds to the lender until the loan is repaid. Holmwood teaches the use of premium financing strategies to pay for life insurance policies. (page 1, paragraph 2). Holmwood further discloses that in these scenarios, the lender accepts the insurance policy as collateral for the loan (i.e. policy purchaser collaterally assigns the policy proceeds to the lender until the policy is repaid.) At the time of the Applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of Ross with the teaching of Holmwood to allow policy purchaser to borrow the premium amount from a lender. One would have been motivated to include these features to make the method more marketable by not requiring the insured to compromise assets

and cash flow to pay for the premiums, as suggested by Holmwood. (Holmwood, par. 2).

Ross further does not teach the use of a reinsurer to insure the cash flow amount. However, the use of reinsurers to back insurers is old and well known in the art. At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the teachings of Ross and Holmwood to include a reinsurer to guarantee the calculated cash flow amount. One would have been motivated to do this to ensure that the method overcomes the longstanding problems associated with managing unpredictable inflows of funds for an organization (Ross: col. 2, lines 1-5) and to minimize the credit risk posed by the insured to the lending institution.

As per claims 16-29, Ross and Holmwood teach the system and method recited in these claims as explained above. Ross does not specifically teach the system and/or method as applied to a charitable foundation, but does disclose that the method/system is best for a variety of small corporations, associations or other organized groups. (col. 3, lines 40-43) At the time of the applicant's invention it would have been obvious to one of ordinary skill in the art to include charitable organizations among the types of organized groups that could use the disclosed method. One would have been motivated to do this to provide a stable stream of income to such organizations.



***Response to Arguments***

8. Applicant's arguments with respect to the pending claims have been considered but are moot in view of the new ground(s) of rejection.

(A) On page 11 of the response filed 3/30/04, the Applicant argues that the amendments to claims 1 and 15 overcome the rejections made under 35 U.S.C. 101 and 112, 1<sup>st</sup> paragraph.

In response, the amendments to claims 1 and 15 have been noted. However, the newly added claim language fails overcome the rejections of record. The recitation of the use of a computer has been added only to the preamble of claims 1 and 15. Mere recitation in the preamble (i.e., intended or field of use) or mere implication of employing a machine or article of manufacture to perform some or all of the recited steps does not confer statutory subject matter to an otherwise abstract idea unless there is positive recitation in the claim as a whole to breathe life and meaning into the preamble. The amended claim language does not specify *in the body of the claim* which of the recited steps involve or implement the technological arts and also fails to address the lack of concreteness of claims 1 and 15, as outlined in the 101 rejection provided in the previous and present Office Actions.

(B) On pages 12, the Applicant argues that the claimed invention distinguishes over the prior art of record (Ross USPN 5,974,390) because the prior art relies upon outdated mortality tables.

In response, it is respectfully submitted that the date of mortality tables in the applied reference is not relevant to the issue at hand. The Ross reference has been

relied upon to disclose the use of mortality tables in calculating insurance premiums and determining a pool of individuals to be insured by one or more insurance policies to generate revenue (col. 3, lines 32-58). While the information in of the mortality tables of the reference may or may not reflect accurate information for a modern population, one of ordinary skill in the in insurance arts would have known to use the most current (and accurate information) available in performing the method disclosed by Ross.

(C) On pages 12-14, the Applicant argues that the use of the reinsurance product in the claimed invention distinguishes over the traditional use of reinsurance in the current rejection. In particular the Applicant indicates that traditional reinsurance would only be required to pay if a death does occurs, while the Applicant's invention and re-insurance benefit is triggered when a death does not occur.

In response, the Examiner respectfully disagrees with the assertion that re-insurance treaties are only applicable when the death occurs (i.e. when the primary insurance company cannot pay a death benefit that is due). The Examiner understands reinsurance to be applicable when there is any risk of a "shortfall" (e.g. by the primary insurer or against any insurable risk.) Reinsurance enables the primary insurer to mitigate risk and stabilize underwriting results. In the present case, the Examiner understands the insurable risk to be a cash flow that has been guaranteed by a primary insurer to the foundation, based upon an expected mortality rate. It is respectfully submitted that if the primary insurance contract has been underwritten to generate consistent cash flow based upon an expected mortality rate, and that expected mortality rate falls short of the actual mortality rate (i.e. not enough of the insured individuals die

to generate the required death benefits and the required cash flow), the use of a reinsurance in the present invention is not inconsistent with "traditional" use of reinsurance (i.e. to mitigate risk of a shortfall by a primary insurer), as noted by the Examiner in the previous Office Action.

(D) On pages 13-14, the Applicant argues the combination of the Ross and Holmwood references.

In response to applicant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986).

Furthermore, while the applicant further argues that the Holmwood reference may not be combined with the Ross reference, it is noted that the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981).

In the present case, the Ross reference has been relied upon to disclose the use of mortality tables in calculating insurance premiums and determining a pool of individuals to be insured by one or more insurance policies to generate revenue (col. 3, lines 32-58). Holmwood has been relied upon to disclose the use of a third party lender

to finance premiums for life insurance policies, as claimed by the Applicant in the present invention (e.g. claim 1, step B). Holmwood further discloses the collateral assignment of the life insurance policy to the lender. It is respectfully submitted that it would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to modify the method/system of Ross with the teaching of Holmwood to allow a policy purchaser(s) to borrow the premium amount from a third party lender so that the insured is not required to compromise assets and cash flow to pay for insurance premiums, as suggested by Holmwood. (Holmwood, par. 2).

### ***Conclusion***

9. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

- Finrock et al (USPN 5592379 A) teaches a system and method for distributing gains/interests from government bonds among a pool of individuals
- Roberts (USPN 4,642,768) teaches a system/method for funding an investment program to cover the projected costs of an uncertain event.

**THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not

mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rachel L. Porter whose telephone number is 703-305-0108. The examiner can normally be reached on M-F, 9:30-6:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on (703) 305-9588. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 308-1113.

RP  
RP

Alexander Labadie  
Alexander Labadie  
Apr 36 26  
Primary Examiner